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MONTANA LEGISLATIVE HISTORY

Chapter 24 ~~19~~ Spec. Sess. 2007

Bill H _____ S 15 Original bill & history ✓ C

H. Committee on Tax			S. Committee on Finance		
Hearing Date(s)	8/10	✓ C	Hearing Date(s)	8/6	✓ C
		C			C
		C			C
		C			C
Date Out		C			

Did this bill originate in an interim committee? ____ Yes ✓ No

Committee _____ Report _____

INTRODUCED BY R. JOHNSON *LC0004 DRAFTER: B. CAMPBELL*

BORROW $50 MILLION FROM COAL SEVERANCE TAX TRUST FUND UNTIL 2003 SESSION

7/24 INTRODUCED
7/25 FISCAL NOTE REQUESTED
7/30 REFERRED TO TAXATION
8/05 FIRST READING
8/05 HEARING
8/06 FISCAL NOTE RECEIVED
8/07 FISCAL NOTE SIGNED
8/07 FISCAL NOTE PRINTED
8/09 TABLED IN COMMITTEE
DIED IN STANDING COMMITTEE

INTRODUCED BY COBB *LC0033 DRAFTER: HEIMAN*

TEMPORARY CIGARETTE TAX TO FUND SOCIAL SERVICES
7/24 INTRODUCED
7/25 FISCAL NOTE REQUESTED
7/30 REFERRED TO TAXATION
8/05 FISCAL NOTE RECEIVED
8/05 FIRST READING
8/05 HEARING
8/06 FISCAL NOTE PRINTED
8/09 TABLED IN COMMITTEE
DIED IN STANDING COMMITTEE

INTRODUCED BY COBB *LC0010 DRAFTER: LANE*

TRANSFER $10M FY 03 FROM COAL TAX FUND TO GENERAL FUND & SCHOOLS

7/25 INTRODUCED
7/25 FISCAL NOTE REQUESTED
7/29 FISCAL NOTE RECEIVED
7/30 FISCAL NOTE SIGNED
7/31 FISCAL NOTE PRINTED
8/05 FIRST READING
8/05 HEARING
8/07 COMMITTEE EXECUTIVE ACTION—BILL PASSED AS AMENDED 5 3
8/07 COMMITTEE REPORT—BILL PASSED AS AMENDED
8/08 2ND READING PASSED AS AMENDED 26 22
8/09 3RD READING FAILED 29 21
DIED IN PROCESS

INTRODUCED BY COBB *LC0011 DRAFTER: HEIMAN*

SUSPEND INFLATION FACTOR FOR LOCAL GOV. REIMBURSEMENTS IN HB 124

7/25 INTRODUCED
7/25 FISCAL NOTE REQUESTED
7/29 REFERRED TO TAXATION
7/29 FISCAL NOTE RECEIVED
7/30 FISCAL NOTE SIGNED
7/31 FISCAL NOTE PRINTED
8/05 FIRST READING
8/05 HEARING
8/05 TABLED IN COMMITTEE
DIED IN STANDING COMMITTEE

INTRODUCED BY COBB *LC0069 DRAFTER: MACMASTER*

ALLOW CHARGING FEES FOR CERTAIN CHILD SUPPORT ENFORCEMENT SERVICES

7/19 FISCAL NOTE NEEDED
7/29 INTRODUCED
7/30 REFERRED TO TAXATION
7/30 FISCAL NOTE REQUESTED
8/05 FIRST READING
8/06 HEARING
8/07 TABLED IN COMMITTEE

8/07 FISCAL NOTE RECEIVED
8/08 FISCAL NOTE SIGNED
8/08 FISCAL NOTE PRINTED
DIED IN STANDING COMMITTEE

SB 12 INTRODUCED BY BOHLINGER *LC0050 DRAFTER: BOHYER*

GENERAL TAX REVISION — CIGARETTES, LODGING, CAR RENTAL

7/29 INTRODUCED
7/30 REFERRED TO TAXATION
7/30 FISCAL NOTE REQUESTED
8/05 FIRST READING
8/06 FISCAL NOTE RECEIVED
8/06 HEARING
8/06 FISCAL NOTE SIGNED
8/07 FISCAL NOTE PRINTED
8/08 COMMITTEE EXECUTIVE ACTION—BILL PASSED 5 4
8/08 COMMITTEE REPORT—BILL PASSED
8/10 2ND READING PASS AS AMENDED MOTION FAILED 13 36
8/10 2ND READING NOT PASSED AS AMENDED 36 13
DIED IN PROCESS

SB 13 INTRODUCED BY HARRINGTON *LC0084 DRAFTER: HEIMAN*

CLARIFY TAXATION OF CERTAIN SOFTWARE AS INTANGIBLE PROPERTY

7/26 FISCAL NOTE NEEDED
7/30 REFERRED TO TAXATION
7/30 INTRODUCED
7/30 FISCAL NOTE REQUESTED
8/05 FIRST READING
8/06 HEARING
8/06 FISCAL NOTE RECEIVED
8/07 TABLED IN COMMITTEE
8/09 FISCAL NOTE PRINTED
DIED IN STANDING COMMITTEE

SB 14 INTRODUCED BY STONINGTON *LC0074 DRAFTER: PETESCH*

REVISE TRANSFERS OF FUNDS TO RESEARCH AND COMMERCIALIZATION

7/23 FISCAL NOTE NEEDED
7/30 INTRODUCED
7/31 FISCAL NOTE REQUESTED
8/05 FIRST READING
8/05 REFERRED TO FINANCE
8/05 FISCAL NOTE RECEIVED
8/05 FISCAL NOTE SIGNED
8/06 FISCAL NOTE PRINTED
8/06 HEARING
8/09 TABLED IN COMMITTEE
DIED IN STANDING COMMITTEE

SB 15 INTRODUCED BY COBB *LC0038 DRAFTER: HEIMAN*

DECREASE THE QUALIFIED ENDOWMENT TAX CREDIT

8/02 FISCAL NOTE REQUESTED
8/02 INTRODUCED
8/05 FIRST READING
8/05 REFERRED TO FINANCE
8/06 FISCAL NOTE RECEIVED
8/06 HEARING
8/06 FISCAL NOTE SIGNED
8/07 FISCAL NOTE PRINTED
8/07 REVISED FISCAL NOTE REQUESTED
8/07 REVISED FISCAL NOTE RECEIVED
8/08 REVISED FISCAL NOTE SIGNED
8/08 REVISED FISCAL NOTE PRINTED

8/09	COMMITTEE EXECUTIVE ACTION—BILL PASSED AS AMENDED	10	8
8/09	COMMITTEE REPORT—BILL PASSED AS AMENDED		
8/10	2ND READING PASSED AS AMENDED	25	22
8/10	3RD READING PASSED	25	22
	TRANSMITTED TO HOUSE		
8/10	REFERRED TO TAXATION		
8/10	HEARING		
8/10	TABLED IN COMMITTEE		
8/10	TAKEN FROM TABLE IN COMMITTEE		
8/10	COMMITTEE EXECUTIVE ACTION—BILL CONCURRED AS AMENDED	14	6
8/10	COMMITTEE REPORT—BILL CONCURRED AS AMENDED		
8/10	REVISED FISCAL NOTE REQUESTED		
8/10	REVISED FISCAL NOTE RECEIVED		
8/10	REVISED FISCAL NOTE SIGNED		
8/10	REVISED FISCAL NOTE PRINTED		
8/10	2ND READING CONCURRED AS AMENDED	54	46
8/10	3RD READING CONCURRED	53	47
	RETURNED TO SENATE WITH AMENDMENTS		
8/10	2ND READING HOUSE AMENDMENTS CONCURRED	33	13
8/10	3RD READING PASSED AS AMENDED BY HOUSE	31	15
8/10	SENT TO ENROLLING		
8/12	RETURNED FROM ENROLLING		
8/13	SIGNED BY PRESIDENT		
8/19	SIGNED BY SPEAKER		
8/19	TRANSMITTED TO GOVERNOR		
8/28	SIGNED BY GOVERNOR		
8/28	CHAPTER NUMBER ASSIGNED		
	CHAPTER NUMBER 24		
	EFFECTIVE DATE: 8/28/2002 - ALL SECTIONS		

16 INTRODUCED BY ELLINGSON *LC0072 DRAFTER: MARTIN*

REVISE BUSINESS EQUIPMENT TAX

7/22	FISCAL NOTE NEEDED		
8/05	INTRODUCED		
8/05	FIRST READING		
8/05	REFERRED TO TAXATION		
8/05	FISCAL NOTE REQUESTED		
8/07	FISCAL NOTE RECEIVED		
8/07	HEARING		
8/08	FISCAL NOTE SIGNED		
8/08	FISCAL NOTE PRINTED		
8/09	TABLED IN COMMITTEE		
	DIED IN STANDING COMMITTEE		

17 INTRODUCED BY CHRISTIAENS *LC0088 DRAFTER: PETESCH*

REVISE SEX OFFENDER REGISTRATION LAWS

BY REQUEST OF DEPARTMENT OF JUSTICE

8/02	FISCAL NOTE NEEDED		
8/05	INTRODUCED		
8/05	FISCAL NOTE REQUESTED		
8/06	REFERRED TO JUDICIARY		
8/06	HEARING		
8/06	COMMITTEE EXECUTIVE ACTION—BILL PASSED AS AMENDED	9	0
8/06	COMMITTEE REPORT—BILL PASSED AS AMENDED		
8/07	FISCAL NOTE RECEIVED		
8/07	FISCAL NOTE SIGNED		
8/07	FISCAL NOTE PRINTED		
8/07	2ND READING PASSED ON VOICE VOTE	48	0
8/07	3RD READING PASSED	47	0
	TRANSMITTED TO HOUSE		
8/07	REFERRED TO JUDICIARY		
8/09	HEARING		

8/09	COMMITTEE EXECUTIVE ACTION—BILL CONCURRED	19	0
8/09	COMMITTEE REPORT—BILL CONCURRED		
8/09	2ND READING CONCURRED	87	13
8/09	3RD READING CONCURRED	85	15
	RETURNED TO SENATE		
8/10	SENT TO ENROLLING		
8/10	RETURNED FROM ENROLLING		
8/10	SIGNED BY PRESIDENT		
8/19	SIGNED BY SPEAKER		
8/19	TRANSMITTED TO GOVERNOR		
8/21	SIGNED BY GOVERNOR		
8/21	CHAPTER NUMBER ASSIGNED		
	CHAPTER NUMBER 22		
	EFFECTIVE DATE: 8/21/2002 - ALL SECTIONS		

SB 18 INTRODUCED BY CHRISTIAENS *LC0079 DRAFTER: MACMASTER*

REDUCE PRISON POPULATION TO SAVE GENERAL FUND

7/24	FISCAL NOTE NEEDED		
8/05	INTRODUCED		
8/05	FISCAL NOTE REQUESTED		
8/06	REFERRED TO JUDICIARY		
8/07	FISCAL NOTE RECEIVED		
8/07	FISCAL NOTE SIGNED		
8/07	FISCAL NOTE PRINTED		
8/07	HEARING		
8/07	COMMITTEE EXECUTIVE ACTION—BILL PASSED AS AMENDED	8	0
8/07	COMMITTEE REPORT—BILL PASSED AS AMENDED	45	4
8/09	2ND READING PASSED AS AMENDED ON VOICE VOTE	41	8
8/09	3RD READING PASSED		
	TRANSMITTED TO HOUSE		
8/09	REFERRED TO JUDICIARY		
8/10	HEARING		
8/10	REVISED FISCAL NOTE REQUESTED		
8/10	COMMITTEE EXECUTIVE ACTION—BILL CONCURRED	12	8
8/10	COMMITTEE REPORT—BILL CONCURRED		
8/10	REVISED FISCAL NOTE RECEIVED		
8/10	REVISED FISCAL NOTE SIGNED		
8/10	REVISED FISCAL NOTE PRINTED		
	DIED IN STANDING COMMITTEE		

SB 19 INTRODUCED BY DOHERTY *LC0027 DRAFTER: MCCLURE*

FUND TRANSFER FROM STATE FUND TO GENERAL FUND

8/06	INTRODUCED		
8/06	FISCAL NOTE REQUESTED		
8/06	REFERRED TO FINANCE		
8/07	HEARING		
8/08	TABLED IN COMMITTEE		
8/08	FISCAL NOTE RECEIVED		
8/08	FISCAL NOTE SIGNED		
8/09	FISCAL NOTE PRINTED	46	0
8/10	TAKEN FROM COMMITTEE; PLACED ON 2ND READING	46	0
8/10	2ND READING PASSED AS AMENDED ON VOICE VOTE	44	2
8/10	3RD READING PASSED		
	TRANSMITTED TO HOUSE		
8/10	REFERRED TO APPROPRIATIONS		
8/10	HEARING	17	1
8/10	COMMITTEE EXECUTIVE ACTION—BILL CONCURRED	17	1
8/10	COMMITTEE REPORT—BILL CONCURRED	89	11
8/10	2ND READING CONCURRED	88	12
8/10	3RD READING CONCURRED		
	RETURNED TO SENATE		
8/12	SENT TO ENROLLING		

SENATE BILL NO. 15

INTRODUCED BY J. COBB

A BILL FOR AN ACT ENTITLED: "AN ACT REDUCING THE IMPACT ON THE GENERAL FUND OF THE TAX CREDIT FOR CONTRIBUTIONS TO A QUALIFIED ENDOWMENT; REDUCING THE INDIVIDUAL INCOME TAX CREDIT FOR CONTRIBUTIONS TO A QUALIFIED ENDOWMENT TO 30 PERCENT; REDUCING THE CORPORATE TAX CREDIT FOR CHARITABLE CONTRIBUTIONS TO A QUALIFIED ENDOWMENT TO 13.3 PERCENT; REDUCING THE AMOUNT OF THE MAXIMUM CREDIT THAT CAN BE CLAIMED TO $6,600; AMENDING SECTIONS 15-30-166, 15-30-167, 15-31-161, AND 15-31-162, MCA; AND PROVIDING AN IMMEDIATE EFFECTIVE DATE AND A RETROACTIVE APPLICABILITY DATE."

BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF MONTANA:

Section 1. Section 15-30-166, MCA, is amended to read:

"15-30-166. (Temporary) Credit for contributions to qualified endowment. (1) A taxpayer is allowed a tax credit against the taxes imposed by 15-30-103 or 15-31-101 in an amount equal to ~~40%~~ 30% of the present value of the aggregate amount of the charitable gift portion of a planned gift made by the taxpayer during the year to any qualified endowment. The maximum credit that may be claimed by a taxpayer for contributions made from all sources in a year is ~~$10,000~~ $6,600. The credit allowed under this section may not exceed the taxpayer's income tax liability.

(2) The credit allowed under this section may not be claimed by an individual taxpayer if the taxpayer has included the full amount of the contribution upon which the amount of the credit was computed as a deduction under 15-30-121(1) or 15-30-136(2).

(3) There is no carryback or carryforward of the credit permitted under this section, and the credit must be applied to the tax year in which the contribution is made. (Terminates December 31, 2007--sec. 5, Ch. 226, L. 2001.)"

Section 2. Section 15-30-167, MCA, is amended to read:

"15-30-167. (Temporary) Beneficiaries of estates -- credit for contribution to qualified endowment. A contribution to a qualified endowment, as defined in 15-30-165, by an estate qualifies for the credit provided

in 15-30-166 if the contribution is a planned gift or in 15-31-161 if the contribution is an outright gift to a qualified endowment. Any credit not used by the estate may be attributed to each beneficiary of the estate in the same proportion used to report the beneficiary's income from the estate for Montana income tax purposes. The maximum amount of credit that a beneficiary may claim is ~~$10,000~~ $6,600, subject to the limitation in 15-30-166(2), and the credit must be claimed in the year in which the contribution is made. The credit may not be carried forward or carried back. (Terminates December 31, 2007--sec. 5, Ch. 226, L. 2001.)"

Section 3. Section 15-31-161, MCA, is amended to read:

"15-31-161. (Temporary) Credit for contribution by corporations to qualified endowment. A corporation is allowed a credit in an amount equal to ~~20%~~ 13.3% of a charitable gift against the taxes otherwise due under 15-31-101 for charitable contributions made to a qualified endowment, as defined in 15-30-165. The maximum credit that may be claimed by a corporation for contributions made from all sources in a year under this section is ~~$10,000~~ $6,600. The credit allowed under this section may not exceed the corporate taxpayer's income tax liability. The credit allowed under this section may not be claimed by a corporation if the taxpayer has included the full amount of the contribution upon which the amount of the credit was computed as a deduction under 15-31-114. There is no carryback or carryforward of the credit permitted under this section, and the credit must be applied to the tax year in which the contribution is made. (Terminates December 31, 2007--sec. 5, Ch. 226, L. 2001.)"

Section 4. Section 15-31-162, MCA, is amended to read:

"15-31-162. (Temporary) Small business corporation, partnership, and limited liability company credit for contribution to qualified endowment. A contribution to a qualified endowment, as defined in 15-30-165, by a small business corporation, as defined in 15-30-1101, a partnership, or a limited liability company, as defined in 35-8-102, carrying on any trade or business for which deductions would be allowed under section 162 of the Internal Revenue Code, 26 U.S.C. 162, or carrying on any rental activity qualifies for the credit provided in 15-31-161. The credit must be attributed to shareholders, partners, or members or managers of a limited liability company in the same proportion used to report the corporation's, partnership's, or limited liability company's income or loss for Montana income tax purposes. The maximum credit that a shareholder of a small business corporation, a partner of a partnership, or a member or manager of a limited liability company may claim in a year is ~~$10,000~~ $6,600, subject to the limitations in 15-30-166(2). The credit

allowed under this section may not exceed the taxpayer's income tax liability. There is no carryback or carryforward of the credit permitted under this section, and the credit must be applied to the tax year in which the contribution is made. (Terminates December 31, 2007--sec. 5, Ch. 226, L. 2001.)"

NEW SECTION. **Section 5. Effective date.** [This act] is effective on passage and approval.

NEW SECTION. **Section 6. Retroactive applicability.** [This act] applies retroactively, within the meaning of 1-2-109, to tax years beginning after December 31, 2001.

- END -

FISCAL NOTE

Bill #: SB 15 **Title:** Decrease the qualified endowment tax credit

Primary Sponsor: John Cobb **Status:** As Introduced

Sponsor signature Date — Chuck Swysgood, Budget Director Date 8-6-02

Fiscal Summary

	FY2003 Difference	FY2004 Difference	FY2005 Difference
Revenue:			
General Fund	$2,298,414	$2,390,350	$2,438,157
Net Impact on General Fund Balance:	$2,298,414	$2,390,350	$2,438,157

Yes	No		Yes	No	
	X	Significant Local Gov. Impact	X		Technical Concerns
	X	Included in the Executive Budget	X		Significant Long-Term Impacts
	X	Dedicated Revenue Form Attached		X	Family Impact Form Attached

Fiscal Analysis

ASSUMPTIONS:

1. This bill would change the income tax and corporation license tax credits for gifts to qualified endowments for tax year 2002 and following years. It would reduce the maximum credit from $10,000 to $6,600. It would reduce the credit that individuals may claim for planned gifts from 40% of the present value of the gift to 30% of the present value of the gift. It would reduce the credit that corporation may claim for outright gifts from 20% of the value of the gift to 13.3% of the value of the gift.
2. Credits for tax year 2002 will be claimed on returns filed in fiscal 2003. Credits for tax years 2003 and 2004 will be claimed on returns filed in fiscal years 2004 and 2005 respectively.
3. Under current law, credits are projected to be $4,688,962 in fiscal 2003, $4,876,520 in fiscal 2004 and $4,974,050 in fiscal 2005. Under this bill, credits are projected to be $2,390,548 in fiscal 2003, $2,486,170 in fiscal 2004 and $2,535,893 in fiscal 2005.
4. All revenue from the income tax and corporation license tax is deposited in the general fund. This bill would increase revenue to the general fund by $2,298,414 in fiscal 2003 ($4,688,962 - $2,390,548), by $2,390,350 ($4,876,520 - $2,486,170) in fiscal 2004 and by $2,438,157 ($4,974,050 - $2,535,893) in fiscal 2005.
5. This bill would not have significant administrative impacts on the Department of Revenue.

SB 15

MINUTES

MONTANA SENATE
57th LEGISLATURE - SPECIAL SESSION
COMMITTEE ON FINANCE

Call to Order: By **CHAIR BOB KEENAN**, on August 6, 2002 at 10:00 A.M., in Room 172 Capitol.

ROLL CALL

Members Present:

Sen. Bob Keenan, Chair (R)
Sen. Tom A. Beck (R)
Sen. Chris Christiaens (D)
Sen. John Cobb (R)
Sen. William Crismore (R)
Sen. Greg Jergeson (D)
Sen. Royal Johnson (R)
Sen. Bea McCarthy (D)
Sen. Arnie Mohl (R)
Sen. Linda Nelson (D)
Sen. Debbie Shea (D)
Sen. Corey Stapleton (R)
Sen. Bill Tash (R)
Sen. Jon Tester (D)
Sen. Mignon Waterman (D)
Sen. Jack Wells, Vice Chair (R)
(R)
Sen. Tom Zook (R)

Members Excused: None.

Members Absent: Sen. Ken Miller (R)

Staff Present: Prudence Gildroy, Committee Secretary
Jon Moe, Legislative Branch

Please Note: These are summary minutes. Testimony and discussion are paraphrased and condensed.

Committee Business Summary:

Hearing(s) & Date(s) Posted: SB 14, 8/5/2002; SB 15, 8/5/2002
Executive Action: None

{Tape : 1; Side : A}

SEN. JON TESTER asked for a clarification on research dollars spent. (Look at Ex. 1)

Mr. Dennison explained the chart was the expenditure from research grants to those institutions. There could be small pieces of those that would include some state dollars but that would be over and above the expenditures.

SEN. TESTER asked how much state moneys were allocated in 1990.

Mr. Dennison did not recall exactly how much that was and indicated those moneys were loans in those days and the amount was probably not more than $2 million.

SEN. TESTER asked if $4.85 was received in 2001 and **Mr. Dennison** confirmed that.

Closing by Sponsor:

SEN. STONINGTON closed on the bill and compared the reduction in SB 14 to those in HB 5. She conceded that perhaps the state could not afford to support research at the full level. HB 5 would cut 35% in 2003, 25% in 2004 and 25% in 2005. She affirmed that no agency is going beyond 10% and that the program is leveraging dollars, producing jobs and was the kind of economic driver that was needed in the state.

HEARING ON SB 15

Sponsor: **John Cobb, SD 25, Augusta**

Proponents: **Ken Nortvedt, Bozeman**

Opponents: **Aidan Myhre, Governor's Taskforce for Endowments and Philanthropy**
Ken Woosley, Director of University Relations at MSU, Billings
George Dennison, U of M
Janie McCall, Deaconess Billings Clinic

Opening Statement by Sponsor:

John Cobb, SD 25, Augusta, stated that the original bill was passed several sessions ago that allowed a tax credit, changed in the last session to 40% of the gift to a qualified endowment such as a foundation or non-profit. The maximum credit was $10,000. The bill would reduce the credit again. There would be an amendment on the bill to strike the language making the bill

retroactive. If there was no tax credit, the money would go to the general fund. He felt taxpayers would not stand for $2.5 million in cuts in education next session. He acknowledged the value of endowments but stressed that money was needed to balance the general fund.

Proponents' Testimony:

Ken Nortvedt, Bozeman, supported the bill and contended that tax credits if narrowly defined and going to relatively few people were not part of tax policy. They were a round-about, secret way of spending state monies and should be under the control of the appropriations committees. He felt tax credits were a subsidy to a relatively few people and was state spending rather than having anything to do with taxes. He wanted to see the cut be greater. He felt most of the tax credits in the tax codes should be abolished and insisted that if there were deserving people that the tax credits were aimed at helping they should be helped through the normal appropriations process. He urged voting for the bill and taking a look at all the other tax credits particularly the wind tax credit. He couldn't understand why the state would reimburse anybody for 35% of their cost of doing business (about $1 million in this biennium). He urged generalizing **SEN. COBB's** bill because narrowly defined tax credits were another form of spending.

Opponents' Testimony:

Aidan Myhre, Governor's Taskforce for Endowments and Philanthropy, stated she also served as local chair of her local hospital foundation. She contended that dollars raised go to help those in need. Where government cuts were being made, non-profits were picking up the burden and that the endowment tax credit helps with that. She felt if endowments can be built it will help with funding crises in the future. She felt that there should be more time to see the impact of the previous cuts and noted that endowments keep money in Montana, planned gifts generate as much as $12 million additional taxable income.

Ken Woosley, Director of University Relations at MSU, Billings, opposed the measure and urged the committee to vote no because it was a breach of trust. To make the reductions retroactive would be punitive and unjust to those who already made gifts in 2002. On his campus, this was largely individuals, not corporations. He felt the tax credit has been proven effective as an inducement for private taxpayers to contribute to institutions and agencies that are suffering the most from state funding cuts. He remarked that Montana was 49th in the nation in terms of philanthropic contributions. In many cases the tax credit had been used to

convert appreciated securities to set up gift annuities and therefore hasdcontributed substantially to the state's economy as annuity payments are subject to tax. Over $2 million had been pledged to his campus to date this year assuming the legislature would carry through on its promise. He urged a no vote.

George Dennison, U of M, argued that the most important issue was consistency in state policy. The benefits from the endowments go to a wide spectrum of people across the state and non-profits are a large piece of Montana's economy. Staying the course is the most important issue. People make their plans on the basis of existing state policy. If the policy is subject to change, he suspected the benefits to the state at large would not occur. He urged resisting the legislation at this time.

Janie McCall, Deaconess Billings Clinic, stated that the clinic is the second largest employer in Yellowstone County next to School District 2. The clinic provided $4.5 million of charity care in 2001 and had an un-reimbursed cost of Medicare and Medicaid of $11.8 million. She opposed the bill but applauded **Sen. Cobb** for his efforts to find measures to address the deficit. She felt the tax endowment needs time to work. ***{Tape : 2; Side : A}***

Questions from Committee Members and Responses:

SEN. JOHNSON asked **Mr. Nordvedt** about tax credits for wind--if the facility would have to built and that once built if it would continue to be a taxpaying entity.

Mr. Nordvedt agreed that was true of anything built that stays in activity but all of their potential income tax was given back to them in the form of tax credits for the fifteen year carry forward provision. In the case of wind energy the specific language also says they are guaranteed a fair rate of return on the sale of that part of the energy they sell to the state. They are essentially guaranteed a product but are getting 35% of their cost reimbursed to them from Montana taxpayers. Excessive tax credits warp sound economic development development by hiding the costs through other subsidies from taxpayers.

SEN. JOHNSON somewhat agreed regarding excessive tax credits but felt that if there was to be economic development, you had to help make that happen. He thought without a project or place for people to be employed there would be no growing economy of any sort. **Mr. Nortvedt** agreed.

CHAIRMAN BOB KEENAN asked **Ms. McCall** to connect the dots between the bill and the charitable care at Deaconess.

Ms. McCall made the point that her organization, along with many other non-profits in the state of Montana, provides a great deal of charity care and the monies that are gathered for endowments and foundations are provided to give other services. Other hospitals, health care providers and mental health care providers are providing care without receiving the full cost of care or services.

CHAIRMAN KEENAN asked if the numbers used were based on the cost of giving those services or billable charges.

Ms. McCall indicated they were based on the cost of doing services.

CHAIRMAN KEENAN stated he had a document on the Medicaid ratio of cost of services versus the charges and the revenue.

Closing by Sponsor:

SEN. COBB said an amendment would make the bill not retroactive. He said staying the course and consistency meant spending more money than the state takes in. Although everyone wants something different in the state, politically we are one state and one people and we have to try to find a compromise. The legislature is the only body elected in this state that actually looks out for the benefit of everyone. He felt we were giving money away we don't have.

ADJOURNMENT

Adjournment: 11:20 A.M.

SEN. BOB KEENAN, Chair

PRUDENCE GILDROY, Secretary

BK/PG

EXHIBIT(fcs02aad)

MINUTES

MONTANA SENATE
57th LEGISLATURE - SPECIAL SESSION
COMMITTEE ON FINANCE

Call to Order: By **CHAIR BOB KEENAN**, on August 6, 2002 at 1:00 P.M., in Room 172 Capitol.

ROLL CALL

Members Present:

Sen. Bob Keenan, Chair (R)
Sen. Tom A. Beck (R)
Sen. Chris Christiaens (D)
Sen. John Cobb (R)
Sen. William Crismore (R)
Sen. Greg Jergeson (D)
Sen. Royal Johnson (R)
Sen. Bea McCarthy (D)
Sen. Arnie Mohl (R)
Sen. Linda Nelson (D)
Sen. Debbie Shea (D)
Sen. Corey Stapleton (R)
Sen. Bill Tash (R)
Sen. Jon Tester (D)
Sen. Mignon Waterman (D)
Sen. Jack Wells, Vice Chair (R)
Sen. Tom Zook (R)

Members Excused: None.

Members Absent: Sen. Ken Miller (R)

Staff Present: Prudence Gildroy, Committee Secretary
Jon Moe, Legislative Branch

Please Note: These are summary minutes. Testimony and discussion are paraphrased and condensed.

Committee Business Summary:

Hearing(s) & Date(s) Posted:
Executive Action: SB 14; SB 15

{Tape : 1; Side : A}

EXECUTIVE ACTION ON SB 15

Discussion:

CHAIRMAN KEENAN asked about SB 15.

Mr. Moe indicated the fiscal note was not yet available.

SEN. COREY STAPLETON asked about a ballpark figure and **SEN. JOHN COBB** said that would be $2.3 million. **SEN. COBB** said that would be for the whole year this year and then $2.3 after that. He advised the amendment ought to make the bill effective upon passage and approval and have a new fiscal note. If there would be no savings this year, then the bill would not be within the call of the special session. He thought there would be some savings.

SEN. WATERMAN asked if the committee could move to amend SB 15.

SEN. BECK maintained that the rules committee adopted the rule that there would be a fiscal note before the committee would start working on a bill.

SEN. WATERMAN said they wanted an accurate fiscal note and could only do that if the bill was amended. An amended fiscal note was needed to actually do what **SEN. COBB** wanted to do with the bill.

SEN. BECK thought there might be some constitutionality problems with the bill.

SEN. COBB thought they had fixed that.

Larry Finch, Tax Policy and Research Office, Department of Revenue, informed the committee of the fiscal impact if the effective date were moved from being retroactive to being September 1, 2002. It would not change the fiscal note in FY 2004 and FY 2005 but would change it slightly in FY 2003 because if the effective date were moved to September 1 there would be financial activity prior to that date. The department guessed, after consulting with accounting firms in Helena, that the vast bulk of the charitable contributions credit occurs in November and December of every year. If virtually all of the giving occurred at that time there would be no change in the fiscal note. The department assumed that 80% would occur after the September 1 date with 20% occurring beforehand. That would reduce the increase in revenue in FY 2003 to $1.9 million.

SEN. BEA McCARTHY asked if the bill was passed with the effective date of September 1, and the charitable organizations asked for contributions prior to that date, if those contributing would get the credit.

Mr. Finch said that as far as he knew that anyone who made a gift prior to September 1 would qualify for that credit and there were no taxpayer behavioral impacts built into their fiscal notes.

SEN. COBB indicated that **Greg Petesch, Legislative Services,** said anything could be made retroactive but that the **Department of Revenue** said that was not the case. But if it was made upon passage and approval, it would be a smaller window than September 1.

SEN. ROYAL JOHNSON spoke against the bill saying that some fine endowments had been created and those efforts should be continued. He thought the estimates of what kind of deposits that might be made this year would be substantially lower, citing the stock market sliding "slightly" downward. He felt the program was a really good one but was not sure if they could continue to keep it. He did not want to penalize the people who had already made contributions this year by making the bill retroactive and wanted to see the bill tabled and taken up in 2003-2005.

SEN. BECK stated the problem with retroactivity was getting the money back after the contribution had been made. He recommended making it on passage and approval or from January 1st on.

SEN. COBB thought if it was made on the calendar year, it would not be in within the call. In that case, they could kill the bill and take it up again in the next session.

Motion: **SEN. ZOOK** moved that **SB 15 BE TABLED.**

SEN. COBB asked if a **DO PASS** motion was made first.

SEN. ZOOK withdrew his motion.

SEN. WATERMAN suggested just not acting on the bill.

SEN. COBB asked for an amendment to make the bill effective on passage and approval.

Valencia Lane, Legislative Attorney, had prepared an amendment to make the bill effective on September 1. It would already be effective upon passage and approval, so the language on page 5

should not be changed but the retroactive applicability date would be changed.

SEN. COBB said the committee could just make the motion.

SEN. WATERMAN suggested acting on the amendment in order to get a corrected fiscal note.

SEN. JOHNSON noted that financial planning was being encouraged in the state as well as help with inheritance issues. He did not support the September 1 date.

SEN. COBB reiterated that he brought it up because it would be $2 million each year.

SEN. JERGESON declared that he would not say how he would vote on the bill or any subsequent motion, and since he worked for a foundation that used the instrument he declared a potential conflict of interest on any and all votes that he might cast on the bill from hereon.

SEN. NELSON asked for clarification regarding the sunset (on the bill) and the fiscal impact for the state. She said the bill had been redone and the sunset had been taken off.

SEN. JOHNSON indicated that the legislature decided that the program was successful but made the necessary adjustments to reduce the amount. He would not mind cutting the whole program out if that was needed to balance the budget at some future date, but felt it was an unfair situation for this year.

SEN. NELSON made the point that it had been a successful program, but that they hadn't known the fiscal impact to the state. She said she saw both sides.

CHAIRMAN KEENAN stated there was a **DO PASS** motion with a motion to amend with an immediate effective date upon passage and approval.

SEN. COBB said to put the amendment on, and then either table the bill or just hold it and get a correct fiscal note. He suggested doing nothing else today but just letting the bill sit.

Ms. Lane clarified how the bill would read with the amendment.

{Tape : 1; Side : B}

Vote: Motion that **SB 15 BE AMENDED carried 16-2 with Johnson and Mohl voting no.**

The committee then discussed scheduling issues.

SEN. STAPLETON expressed a concern that SB 14 was beyond the call of the special session because it had no impact in the current fiscal year.

SEN. ZOOK declared that the state's fiscal year was not until the end of next June.

SEN. STAPLETON reasoned that the cuts had already been made and the bill was then reaching out in the future.

SEN. WATERMAN replied that the cuts could only be done by the legislature even though the governor listed them--legislative action was required.

ADJOURNMENT

Adjournment: 2:20 P.M.

SEN. BOB KEENAN, Chair

PRUDENCE GILDROY, Secretary

BK/PG

EXHIBIT(fcs02bad)

MINUTES

MONTANA HOUSE OF REPRESENTATIVES
57th LEGISLATURE - SPECIAL SESSION
COMMITTEE ON TAXATION

Call to Order: By **Vice Chair-Somerville**, on August 10, 2002 at 12:00 P.M., in Room 137 Capitol.

ROLL CALL

Members Present:

Rep. Bob Story, Chair (R)
Rep. Ron Erickson, Vice Chair (D)
Rep. Roger Somerville, Vice Chair (R)
Rep. Joan Andersen (R)
Rep. Keith Bales (R)
Rep. Joe Balyeat (R)
Rep. Gary Branae (D)
Rep. Larry Cyr (D)
Rep. Rick Dale (R)
Rep. Ronald Devlin (R)
Rep. John Esp (R)
Rep. Gary Forrester (D)
Rep. Daniel Fuchs (R)
Rep. Verdell Jackson (R)
Rep. Jesse Laslovich (D)
Rep. Butch Waddill (R)
Rep. Karl Waitschies (R)
Rep. David E. Wanzenried (D)

Members Excused: Rep. Trudi Schmidt (D)
Rep. Eileen J. Carney (D)

Members Absent: None.

Staff Present: Jeff Martin, Legislative Branch
Pam Schindler, Committee Secretary

Please Note: These are summary minutes. Testimony and discussion are paraphrased and condensed.

Committee Business Summary:

Hearing(s) & Date(s) Posted: SB15, SB30, 8/3/2002
Executive Action: SB15-Tabled, SB30-Do Concur In
SB15-Remove from Table-Failed
SB15-Remove from Table-Passed

SB15-Be Amended-Passed
SB15-Do Concur In As Amended-Passed.

HEARING ON SB30

Sponsor:

Sen. Glaser-SD 8-Huntley, Montana

"An act reducing the shortfall in General Fund revenue by requiring the semiannual payment of metalliferous mines license taxes based upon current year production". Every tax we collect in Montana is a quarterly or semi-annual basis with the exception corporate tax under $5K. For some reason, this tax has been collected on an annual basis. This bill require semi-annual payments for metal mines license tax. $1.63M accrued dollars; we won't have in pocket in this FY; but we will accrue this money into this schedule, consequently, if this bill passes, we will be able to spend $1.63M more for whatever the conference committee wants to do with it. House has expressed a priority that the money be spent on "Flex Fund". Local governments get a "windfall" from this: $374K one time; amended in committee at the request of MAACO that money be distributed in 60 days after we receive it. Brings about $80K in additional interest. We get 58% of it which is $1.763M.

Proponents:

None

Opponents:

None

Informational Testimony:

None

Questions from Committee Members and Responses:

Rep. Erickson to **Sen. Glaser**-Technical notes: timing issues. Has the whole concern in the technical note be met with these amendments? **Sen. Glaser**-The time in the technical note of when the tax was to be paid was never correct. Bill says 45 days after report. The first payment will be like an "estimate". At end of period, we open our books for 60 days to money that we expect to get. **Rep. Erickson** to **Sen. Glaser**-What happened in terms of changes made in Senate Tax? **Sen. Glaser**-Made sure that

the money was distributed to MAACO/schools, so we don't hang onto their "windfall". What happened on the floor were amendments by the Dept. of Rev. so that they would know what will work. Been assured by various departments that this bill will work.
Rep. Bales to **Sen. Glaser**-Effects on the Counties and the taxes; permissive mill levies? Mines in very few counties, what effect will that have? **Sen Glaser**-Probably in Rep. Story's county. This interfaces with school funding. It's a matter of timing.
Rep. Forrester to **Sen. Glaser**-Does bill specify the "Flex Fund" receives the money? **Sen. Glaser**-Leadership of the Senate has assured me that it will. 2 bills-SB15, SB30 will specify if they pass. **Rep. Forrester** to **Sen Glaser**-How much down is the "Flex Fund" down? How much is in there? **Sen. Glaser**-I recall there is zero in there. Maybe if bills passed, there will be $4M. **Rep. Forrester** to **Sen. Glaser**-If $4M in; then only down about $1M?
Sen. Glaser-Schools agreed to give OPI the $1M.
Rep. Somerville to **Sen. Glaser**-You say counties were to receive around $3??K; Fiscal Note says $674K, has there been a change?
Sen. Glaser-Local governments receive 24% $1.6M. which is $674K. Rest into local schools. **Rep. Somerville** to **Sen. Glaser**-Earlier comment about $300K was a mistake? **Sen. Glaser**-Yes.

Closing by Sponsor:

Sen. Glaser-Here is $1.6M; do we want it?

EXECUTIVE ACTION ON SB30

Motion: **REP. DEVLIN** moved that **SB30 BE CONCURRED IN.**

Discussion:

Rep. Balyeat-The less cuts we make now, the worse it is going to be in January. One time accelerations of money to just spend more now, are worse than permanent tax increases. With permanent tax increases we'll have some money to work with in January. This will make it worse. Example: with HB21 there was $1.5M saved; they turned around and spent it in the Senate. When accelerating taxes; pulls more money out of the public sector in a recession time. Public perceives if pay taxes early; tax increases.
Rep. Erickson-Structural in balance. Note: on the last page, there is something that helps . Not in the next biennium but thereafter. One time fix.
Rep. Bales-Fluctuation in taxes; if do not enact this now, and put it all into one fiscal year then it won't effect those taxes on the counties, like it might this time.

Rep. Story-Defers to **Rep. Esp**-In each county most of them go into a reserve trust fund to mitigate impact of when mining money comes.
Rep. Story-On page 5-it shows how the county money is distributed. They put in 37.5% into reserve account when mining company leaves. The statute then lays out how the rest of it goes.
Rep. Forrester-Senator's desire to keep this money in the Flex Fund; would it be your intention if we pass this out to honor the Senator's wish?
Rep. Story-The committee has not met yet, the number looks like the Ending Fund balance is in pretty good shape, assuming this bill is passed. Revenue side of picture has fallen into place. Except for the Harris bill; and that will be on floor this afternoon. So it is my impression, that the Flex Fund will be restored to some extent, up to, it started out at $4.6M when we hit town, hopefully that amount will be back in there.
Follow-up- Where are we on the Status Sheet? Where is the Ending fund balance?
Rep. Wanzenreid-Depends on whose numbers you look at. Budget office supplementals are lower than the fiscal division. The Ending Fund balance is the difference between the two of them. On the updated Fiscal Note; could be as low as $18M or as high as $29M. $29M is the Executive number, the LFD's number is the lower.
Follow-up-Which number will the committee use? **Rep. Story**-The $29M is a pretty good number, may be more like $30M depending. A lot of adjustments are being made to the General Fund.
Follow-up-This bill; still looking at a $27M Ending Fund balance?
Rep. Story-In that neighborhood, before $28M, when you pull the school funding, make adjustments to the agencies, governor's cuts etc. all of those tend to reduce the needed Ending Fund Balance.

{Tape : 1; Side : A; Approx. Time Counter : 0 - 496}
{Tape : 1; Side : B; Approx. Time Counter : 0}

Rep. Forrester-$1.63M is the figure that the Senator gave use; maybe we don't even need this bill.
Rep. Story-Ending Fund balance does not include the Flex Fund money.
Rep.Wanzenreid-Must accept the closer numbers to the Executive's numbers. Do not know if the Ending Fund balance is ok. Must have 1% balance of the total appropriations to the General Fund; which is about $26.8M. That number may drop. We have no way of knowing. Disparity in numbers. Base always drops by $2-3M. Razor thin. This money may end up in the Ending Fund balance.
Rep. Story-Speak to the merits of the bill. Accelerate the metal funds tax by $2.7-8M come up with 6 or 9 months earlier. May be a hardship. Businesses accrue their taxes. And pay their taxes

monthly or quarterly. Once past this adjustment; they'll be back on a schedule of 6 months payment.
Rep. Bales-State receives $80K interest. Businesses will lose $80K. In essence it is a tax increase.
Rep. Forrester-"Smoke and Mirrors".
Rep. Devlin-This is like a property tax not an income tax. Put the metal mines tax on the same footing as the rest of the taxes.

Vote: Motion that **SB30 BE CONCURRED IN carried 16-4 with Bales, Balyeat, Fuchs, and Jackson voting no.**

{Tape : 1; Side : B; Approx. Time Counter : 0 - 108}

This committee will reconvene at a later time.

{Tape : 2; Side : A; Approx. Time Counter : 0}

Chairman-Vice Chair-Somerville called to order 2:15p.m.

HEARING ON SB15

Sponsor:

Sen. Cobb-SD25-Augusta, Montana

"An act reducing the impact on the General Fund of the tax credit for contributions to a qualified endowment; reducing the individual income tax credit for contributions to a qualified endowment to 30%; reducing the corporate tax credit for charitable contributions to a qualified endowment to 13.3%' reducing the amount of the maximum credit that can be claimed to $6,600".

Reduces the income tax credit for a qualified endowment. Last session we reduced the rate. Original sunsets in 2007. Right now you get a rate of 40% of the value of the gift, tax credit goes up to $10K. Reduced that to 30% with a gift up to $6.6K. Will sunset 12/31/04. Brings in about $1.8M.

Proponents:

None

Opponents:

Aiden Myhre-Governor's Task force on the Endowments and Philanthropy, St, Peters Hospital Foundation

Do not like this bill; but respect what the committee is doing. To generate private dollars for the need that is still there. Shift in government spending. Tax credit-this is one of the altruistic credits there is. In order to get a tax credit, the donor has to give twice as much. Example: in order to receive $2K tax credit, I need to give $5K. Federal money matched-opportunity to infuse private money. Fiscal Note-re: buying behavior and economy has changed dramatically since 2 years ago. Economy was stronger 2 years ago. Tax credit may generate additional tax revenue. Endowments help long term future of Montana.

Informational Testimony:

None

Questions from Committee Members and Responses:

{Tape : 2; Side : A; Approx. Time Counter : 0 - 137}

Rep. Devlin to **Sen. Cobb-**This bill terminates in 2004. From 2004-2007; revert back to the same rate during last session. **Sen. Cobb-**It terminates, 12/31/04-so starts in 2005. **Rep. Devlin** to **Sen. Cobb-**2007 if continued, we would have to re-authorize it? **Sen. Cobb-**Yes.
Rep. Erickson to **Sen. Cobb-**New numbers start in 2002-What happened last time? Money wasn't generated 2001-did it make a difference? **Sen. Cobb-**I don't know. Dept. of Rev. supplied numbers. **Rep. Erickson** to **Sen. Cobb-**2001-how compared with predictions? Uncomfortable with numbers. **Sen. Cobb-**Will get the numbers for you.
Rep. Jackson to **Rep. Wanzenreid-**Need numbers from Dept. of Rev. Response-it's on the "grey" sheet.
Rep. Lazlovich to **Sen. Cobb-**It looks like you just received the numbers; what are they? **Sen. Cobb-**1999-charitable endowment credit-$5.547M, 2000-$6.690M, 2001-no tape yet from income tax tape, so can't tell you until November.

{Tape : 2; Side : A; Approx. Time Counter : 137 - 238}

Closing by Sponsor:

Sen. Cobb-Just reducing the amount of credit; more wealthy, pay more tax. Pull it back and let the elected officials decide how to spend it.

EXECUTIVE ACTION ON SB15

Motion: **REP. LASLOVICH** moved that **SB15 BE CONCURRED IN.**

Discussion:

Rep. Erickson-2 concerns-we do not have the data, fewer people are presently taking advantage. Also group in education-money that may help with the Flex Fund. The group that has been hurt the most in this session has been the universities. 10% total cut. $14.??M. Less money than 10 years ago. Universities need money to help with scholarships, research grants. This is just one more "hit".
Rep. Esp-Conceptual amendment-Section 1 changing from 40% to 30% go to 35% instead. Section 1 changing from $10K to $6.6K go to $8.3K instead.

Motion: **REP. ESP** moved that **SB15 BE AMENDED.**

Discussion:

Rep. Balyeat-You may think that is cutting the Fiscal in 1/2. They can still recoup $900K; but that is not true. The rate of the credit effects people's behavior. By increasing that back up, you'll loose more than 1/2 of the Fiscal Note.
Rep. Wanzenreid to **Rep. Balyeat-**Does a reduction in tax credit result in a tax increase? **Rep. Balyeat-**Yes.
Rep. Fuchs-This is one of the pieces of the pie; this amendment could kill this bill because of the timing.

Jeff Martin-Staffer-Sect. 4; small business corporation where the credit is allocated into your proportion to your interest in that entity, referring to 15.31662 where your amendment would go.

Rep. Esp to Martin-Do to make that consistent? Mr. Martin-Change $6.6K to $8.3K. **Rep. Esp-**Would like to withdraw my motion and offer a substitute motion to what Mr. Martin said.

Substitute Motion: **REP. ESP** made a substitute motion **SB15.** Include the changes you already included in Sect. 1.

Rep. Wanzenreid-I do not like the bill or amendment. This is a last minute deal; also there is no assurances that this money is going into the Flex Fund.
Rep. Balyeat-In the last session when we dealt with this, it was "sunseted". Should have always been 30%.

Motion/Vote: **REP. ESP** moved that **SB15 BE AMENDED. Motion failed 7-13 with Andersen, Bales, Balyeat, Branae, Carney, Devlin, Forrester, Fuchs, Jackson, Laslovich, Story, Waddill, and Wanzenried voting nay.**

Rep. Balyeat-We've done pretty well at not increasing taxes at a state level, if this bill passes, that's out the window.
Rep. Somerville-This is my baby. Clarification on how numbers got set. Finally came up with the %'s in this by what was in the Governor's Budget Office, and the Governor would allow us to have in the last session. Determined by about $9M.

{Tape : 2; Side : A; Approx. Time Counter : 238 - 510}
{Tape : 2; Side : B; Approx. Time Counter : 0}

Very good tool, when we need to cut state funding. Will vote against this bill

Vote: Motion that **SB15 BE CONCURRED IN failed 6-14 with Balyeat, Branae, Carney, Cyr, Dale, Erickson, Forrester, Fuchs, Jackson, Schmidt, Somerville, Waddill, Waitschies, and Wanzenried voting nay.**

Vote: Motion that **SB15 BE TABLED carried unanimously. Reverse the Vote.**

Adjourned at 2:45p.m.

Reconvened at 3:30 p.m.-Chairman Story called to order

{Tape : 2; Side : B; Approx. Time Counter : 0 - 25}

Rep. Devlin Moved to Remove SB15 From The Table

Rep. Erickson questions how the absentee committee members will be able to vote. **Rep. Story**-Has talked to some members as to how they will vote. Proceeded to vote.

Vote: Motion **SB15-REMOVE FROM TABLE failed 9-11 with Balyeat, Branae, Carney, Cyr, Erickson, Forrester, Laslovich, Schmidt, Somerville, Waddill, and Wanzenried voting nay.**

{Tape : 2; Side : B; Approx. Time Counter : 25 - 57}

Adjourned at 3:45p.m.

Reconvened at 5:20p.m.-Chairman Story called to order

Motion/Vote: **REP. SOMERVILLE** moved **SB15-REMOVE FROM TABLE. Motion carried 12-8 with Branae, Carney, Cyr, Erickson, Forrester, Laslovich, Schmidt, and Wanzenried voting no.**

Motion: **REP. SOMERVILLE** moved that **SB15 BE CONCURRED IN.**
Motion: **REP. BALYEAT** moved that **SB15 BE AMENDED.**

{Tape : 2; Side : B; Approx. Time Counter : 57 - 81}

Rep. Balyeat-2 reasons to add amendment-what the bill does is reduce the endowment tax credit; reduces for 14 months. This amendment offsets by "bumping" up the tax credits that it had reduced for the beginning 14 months. lst 14 months-reduce to 30%-$6.6K, the next 14 months with amendment it would increase credit to 50%-$13.4K. The same thing on the corporate side.
Rep. Erickson-This bill was "funny money". This amendment gives us "absolutely hilarious money". Predictions: people will wait for the first 14 months, then after with the 50% the money will flow in. With session in January, the endowment fund will disappear. The Fiscal Note does not have the figures.
Rep. Forrester-Senate will not like this amendment; they'll strip it out.
Rep. Balyeat-I've already talked to the Senate; including the chairman of taxation. Without this amendment this is a violation of the Taxpayer Protection Pledge. Made the case pretty effectively. Rep. Erickson is right; people need incentives. People will delay, that will make the Fiscal Note look even better, you'll have even more money to spend. More contributions in future years; because at 50% you'll have a lot more people giving than at 30%. Does not hurt the universities. More options in January.

{Tape : 2; Side : B; Approx. Time Counter : 81 - 153}

Jeff Martin-Staffer-This 14 month period; this is different than what is in amendment. Temporary reduction would terminate 6/30/03. Increase would terminate 4/30/04.
Rep. Balyeat-As long as you went 10 months each (equal), that is ok with me.
Rep. Erickson-Rep. Balyeat, you say our tax code is already complex; forms are complex; we're now to put on tax forms in mid-year what your donation is?
Rep. Balyeat-Sen. Cobbs bill in it's current form already makes a change mid-year. His bill is already adding the complexity.

Vote: Motion that **SB15 BE AMENDED carried 12-8 with Branae, Carney, Cyr, Erickson, Forrester, Laslovich, Schmidt, and Wanzenried voting no.**

Motion: **REP. DEVLIN** moved that **SB15 BE CONCURRED IN AS AMENDED.**

Discussion:

Rep. Wanzenreid-Explain what the Fiscal impact is now?
Rep. Balyeat-More money than $1.8M.
Rep. Erickson-More than that or more than that before?
Rep. Balyeat-$1.8M was what it was before; now with amendment the Fiscal Note will show more. More people will delay contributions to endowments until the 10 month period is up. So you will have less endowment tax credit in this Fiscal year.
Rep. Wanzenreid-What is the % increase? Also, how much giving will drop off?
Rep. Balyeat-Cannot give estimate.
Rep. Wanzenreid-Reason we have these programs is to provide incentive for people to invest in the communities. We've down 2 things-we've cut the government programs; more will suffer. People will not have services they had previously, and we given people not incentive to give.
Rep. Balyeat-Endowment tax credit is only for long-term endowments. Does not apply to current operating expenses for charitable organizations. Will not have impact as you think. In fact, after the 10 months it gives a 50%; it will more generate more money for the endowments funds.
Rep. Wanzenreid-Could we have Fiscal Notes for some accurate numbers.
Rep. Forrester-Where does this take us for the numbers?
Rep. Story-$1.83M until the Fiscal Note is produced.
Rep. Erickson-$1.83M is funny money. We have no idea what happened in 2001; where we had already made a change in the law.
Rep. Balyeat cannot say whether it is more or less, that number is highly in question.
Rep. Waitches-If reduce the credit in one year and raise it the next; you have the Fiscal Note showing all the money used as a credit available to use in the Fiscal Note. The next year you will see a reduction.

Vote: Motion that **SB15 BE CONCURRED IN AS AMENDED carried 14-6 with Carney, Cyr, Erickson, Forrester, Schmidt, and Wanzenried voting no.**

{Tape : 2; Side : B; Approx. Time Counter : 153 - 299}

ADJOURNMENT

Adjournment: 5:45 P.M.

REP. BOB STORY, Chair

PAM SCHINDLER, Secretary

BS/PS

EXHIBIT(tah06bad)